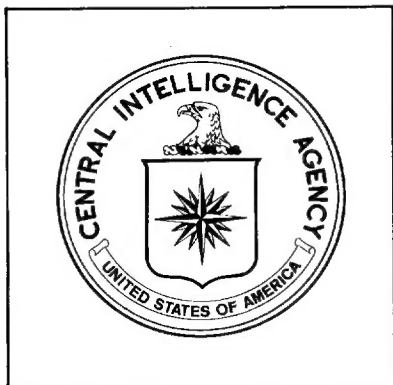


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July 8, 1975

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WESTERN EUROPE – CANADA – INTERNATIONAL ORGANIZATIONS

This publication is prepared for regional specialists in the Washington community by the Western Europe Division, Office of Current Intelligence, with occasional contributions from other offices within the Directorate of Intelligence. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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Delay in Nuclear Cooperation Accord Between
Bonn and Teheran

The Schmidt government has decided to postpone the initialing of a nuclear energy agreement with Iran in view of the recent criticism-- particularly by the US--of the projected sale of German-built nuclear facilities to Brazil. The cabinet-level decision also reflects the concern of several West German officials that the projected agreement might

2

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Although a specific government agreement on nuclear cooperation is still pending, German firms are proceeding with plans to deliver two reactors to Iran on the basis of a commercial letter of intent. A conditional contract could be signed with the proviso that the government agreement would be concluded later.

2

Bonn hopes that its decision to postpone, but not cancel, the initialing of the government-to-government agreement reduces the likelihood of a negative reaction by US official circles and the media. Bonn believes it is on firm ground in its intention to sign the official agreement with Tehran, because Iran--unlike Brazil--has signed the nuclear Non-Proliferation Treaty and a safeguards agreement with the International Atomic Energy Agency.

2

Under the letter of intent, signed in November 1974, the Iranian Atomic Energy Organization agreed to buy two pressurized water reactors from a German company and two from a French company. The West German bid for construction of the reactors was

2

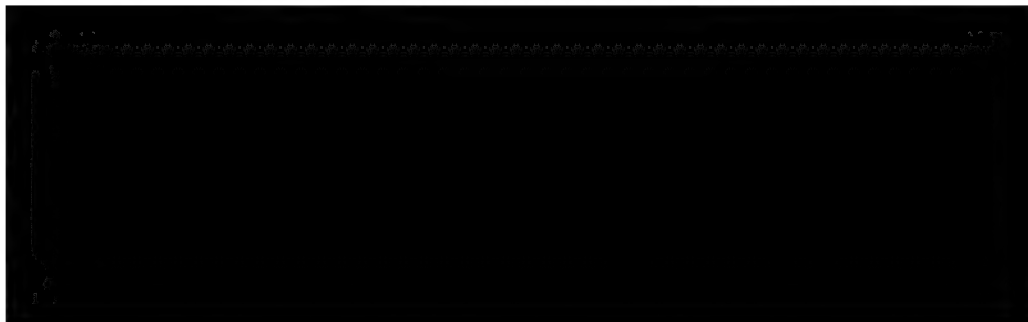
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The proposed nuclear agreement would supplement a scientific cooperation and technological research accord that was signed last week in Tehran by a delegation representing the West German Ministry for Science and Technology and the Iranian Atomic Energy Organization. (Secret No Foreign Dissem/ No Dissem Abroad/Background Use Only/Controlled Dissem)



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First Chinese Ambassador to the EC Nominated

Peking has requested accreditation of its first ambassador to the European Community.

This move by China follows in the wake of the visit of EC External Affairs Commissioner Soames to Peking in May, at which time the two sides reached agreement in principle on such a step. Final EC approval is expected in time to permit the Chinese emissary--who will also continue to serve as ambassador to Belgium--to present his credentials before September.

Preliminary discussions on a trade agreement between the EC and China--started during Soames' visit--are continuing in Brussels. The EC Commission has responsibility for negotiating trade agreements with state trading countries on behalf of the Community. Current discussions are limited mainly to clarifying the terminology in the model bilateral trade agreement provided the Chinese early this year. (Confidential)

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Military Assemble in Portugal

3 | Portugal's Armed Forces General Assembly convenes today to debate the relatively moderate policy statement issued by the Revolutionary Council on June 21.

Since then, the authority of the military leadership has been eroded by:

- 4 |
- Widespread strikes and civil disobedience.
 - The unresolved dispute over the Socialist newspaper Republica.
 - The Catholic Church's refusal to acquiesce in an order nationalizing its radio station.
 - The massive jailbreak by members of the former regime's secret police.

3 | On top of this, Socialist Party leader Mario Soares has threatened to paralyze the country with mass demonstrations if press freedom is not assured.

3
5 | The Communists are reported by the press to have placed their followers on alert because, they claim, an effort may be made to oust Prime Minister Vasco Goncalves, their most powerful ally in the military. According to the US embassy, the head of the internal security forces, General Otelo de Carvalho, intervened and forced the Communists to back down on threats to set up roadblocks and checkpoints.

4 | The session beginning today will provide an opportunity for extreme leftists within the military to press for a more radical approach. A proposal

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that the military forge "direct links with the people" is one of the key items on the assembly agenda. 14

In the policy statement last month, the Revolutionary Council approved the idea of direct links between the Armed Forces Movement and the people, but did not say how the idea was to be realized. 4

Leftist officers--often associated with General Carvalho--would like to abolish political parties and form "popular councils," which they say would provide the armed forces with the links they want. 4

The Portuguese Communist Party wants to maintain the status of political parties, but also favors establishment of "committees for the defense of the revolution" which it says would provide links with the people. 2

The US embassy reports that the pressure is building up within the Movement to tilt further to the left. In preparatory meetings for the assembly, the army called for firm action to reassert authority of the military and immediate steps to ensure a "progressive interpretation" of the policy statement. The navy also demanded strong action to strengthen "progressive" forces. (Confidential) 1

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